

EXECUTIVE SECRETARIAT**ROUTING SLIP**

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Remarks

Executive Secretary

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

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BULLETIN NO. 86- 5

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Initial Reporting Requirements of the Balanced
Budget and Emergency Deficit Control Act

1. Purpose. This Bulletin provides instructions for complying with the requirements of Public Law 99-177 to determine the actions necessary to reduce the budget deficit for fiscal year 1986. It sets forth information to be provided to the Office of Management and Budget (OMB) for the joint report by OMB and the Congressional Budget Office (CBO) to the Comptroller General. It also provides instructions for incorporating this information in the President's 1987 budget.

2. Authority. Public Law 99-177 -- The Balanced Budget and Emergency Deficit Control Act of 1985, also referred to in this bulletin as the Act.

3. Background. The Act stipulates annually-decreasing budget deficits and specifies measures that must be taken to achieve them. This Bulletin provides instructions as to how these procedures will be carried out for fiscal year 1986 to provide the data necessary for the report that the Act requires of the Directors of OMB and CBO. They must submit this report jointly to the Comptroller General on January 15, 1986. Both OMB and CBO must indicate whether the estimated fiscal year 1986 deficit will exceed \$171.9 billion -- the maximum deficit amount specified in the Act. It is apparent that the estimated deficit will exceed the maximum deficit amount by at least \$20.0 billion. For 1986 only, the maximum reduction in outlays required to be achieved under the new procedures established by the law is \$11.7 billion. This amount is seven-twelfths of \$20.0 billion and represents the total reduction prorated for the period March 1 (the effective date of the President's order) through September 30, 1986. The Directors must calculate (1) special reductions for specified accounts and (2) a uniform percentage reduction applicable to most other budget accounts.

The Directors are required to compute the reductions in the following manner:

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- one-half of the \$11.7 billion reduction must be applied to defense programs (budget accounts with function 050) and one-half must be applied to non-defense programs;
- reductions of automatic spending increases (generally cost-of-living adjustments (COLAs)) specified in the Act must be computed, and
 - o one-half of the reduction of most, but not all, of those increases must be applied toward the reduction amount required for defense programs; and
 - o the remaining reduction in automatic spending increases must be applied toward the reduction amount for non-defense programs;
- reductions from the application of special rules specified for certain programs must be computed and applied toward the reduction amount required for non-defense programs; and
- the remaining reductions in defense programs and non-defense programs must be taken on a uniform percentage basis, computed separately for defense and non-defense.

The Directors' January 15 report to the Comptroller General must report the following data for the reductions to be taken on a uniform percentage basis:

- for defense programs, by account and by program, project, and activity within each account, the reduction (stated in terms of both percentage and amount) in new budget authority and unobligated balances, and the reduction in outlays resulting therefrom; and
- for non-defense programs, by account, the reduction (stated in terms of both percentage and amount) in new budget authority, new loan guarantee commitments, new direct loan obligations, obligation limitations, and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974, as amended (copy attached), and the reduction in outlays resulting therefrom.

As indicated in section 6.b.(4) of this bulletin, offsetting collections are defined as spending authority if they are used to make Federal payments, the budget authority for which is not provided in advance in appropriations acts. Also, the Act excludes the reduction of unobligated balances for non-defense programs.

The Comptroller General will review the Directors' report and issue a report to the President and the Congress on January 21, 1986 that confirms or modifies the information reported by the Directors and becomes the basis for reductions to be ordered by the President on February 1, 1986. If no action to modify the Comptroller General's report is taken by the Congress and approved by the President, the reductions, as confirmed or modified by the Comptroller General, will take effect March 1, 1986.

4. Coverage. For the Directors' January 15 report, the reductions must be calculated uniformly for all accounts except those specifically exempted or subject to special rules by the Act. In addition, for otherwise-exempt accounts, the uniform reduction percentage must be applied to their administrative expenses. Administrative expenses, as defined by the Joint Explanatory Statement of the Committee of Conference, means administrative and operating expenses to include obligations for items such as personnel compensation, travel, transportation, communication, equipment, supplies, materials, and other services.

The Act requires that accounts be reduced without regard to whether they are accounts of legislative, judiciary, or executive branch entities. In order to ensure that the reductions computed by the Directors are as accurate as possible and included properly in the President's budget, the agencies of all three branches must complete the actions prescribed in the following sections.

5. Base amounts of budgetary resources and outlays to be provided on OMB worksheets. Using the best data currently available, agencies will report, by account, the amounts (if any) of new budget authority, new loan guarantee commitments, new direct loan obligations, and spending authority as defined in section 401(c)(2) of the Congressional Budget act of 1974, as amended (copy attached), and the outlays therefrom that are subject to reduction. For this purpose, OMB will provide a listing of all accounts subject to these requirements and a worksheet for each account. Specific instructions for completing the worksheets will be provided separately. OMB budget examiners will work with the agencies to make any corrections necessary.

The information on the corrected worksheets will be shared by OMB with CBO to arrive at common estimates to the extent possible. In addition, the data will be used by OMB to compute the uniform percentage reductions that must be included in the Director's report.

Final worksheets will be provided to the agencies. To the extent feasible, agencies will be consulted in the process of arriving at common estimates with CBO. In any case, agencies should ensure that the amounts included for 1986 in the President's 1987 budget are consistent with the worksheet amounts. Significant deviations could seriously disrupt the procedures under the law and cause inconsistencies between the President's budget and the Directors' report to the Comptroller General.

6. Information for the President's 1987 Budget.

a. General instructions.

(1) Data will be entered into the Budget Preparation System (BPS) and print materials in the manner prescribed in OMB Circular No. A-11, as supplemented in the following instructions.

(2) Estimates of the base amounts should be based on enacted law and should not include the effects of Presidential policy.

(3) Base amounts generally will be included in the data for regular (transmittal code 0) budget schedules (program and financing and credit). They will not be specifically identified, but must be consistent with the worksheet amounts. Where supplemental requests (transmittal code 1) are required because of reestimates under current law for entitlement programs, these amounts will be part of the base also.

(4) Reduction amounts required by the Act will be included in the data for separate program and financing schedules and credit schedules with a transmittal code 6. The program and financing schedule will be labeled "(Reductions pursuant to Public Law 99-177)" and will be printed in Part I of the Appendix, immediately following the presentation of the regular (transmittal code 0) program and financing schedule and related materials.

OMB will insert "shell" schedules in the first printing of galleys that have been returned by the agencies. The shells will duplicate only the regular program and financing (except as described below for the program by activities) and credit summary schedules. However, no data will be shown. Agencies will enter the reduction amounts in the BPS in the usual manner (via terminals for agencies with access to the automated budget preparation system, or via marked-up Appropriation Account Data (AAD) files for other agencies). No other schedules will be required.

The President's order will require uniform reductions in each program, project, and activity as set forth in the most recently enacted applicable appropriation acts and accompanying committee reports for funds provided in annual appropriations acts, or as identified in program financing schedules contained in the budget Appendix for funds not provided in annual appropriations acts. However, since the activities identified in program and financing schedules for funds provided in annual appropriations acts may differ from programs, projects, and activities set forth in appropriations acts or accompanying reports, and since activities may be identified in the Appendix for which no program, project, and activities are set forth in appropriations acts or accompanying reports, only reductions in total obligations (line 10.00) will be included in the special program and financing schedule (transmittal code 6) for such accounts. For funds not provided in annual appropriations acts, uniform percentage reductions amounts will be shown by activity in the program and financing schedule (transmittal code 6) on the same basis as the regular program and financing schedule (transmittal code 0).

The data entered must agree with amounts included in the worksheets described in section 5 of this bulletin.

b. Special instructions.

(1) Administrative expenses. The Federal administrative expenses of otherwise-exempt accounts must be reduced (see section 4. Coverage.) For this purpose, the Act requires that a limitation is assumed to exist for 1986 if one does not already exist under other laws. The limitation amounts for obligations and outlays therefrom for transmittal code 0 data will be the amounts that otherwise would have occurred if not reduced by the Act, and the reduction amounts will be shown in transmittal code 6 data. The limitation amounts will be included on lines 944x (1-5) and 954x (1-5) series of codes in the SSD-A data (see OMB Circular No. A-11, section 25.2) and the effect of reduction on budget authority (if any) and outlays will be included on the appropriate SSD-A lines. Limitation codes for each affected account will be established by OMB.

(2) Obligation limitations (program level). Obligation limitations on programs should be included in SSD-A data (lines 9446 and 9546). Reductions will be shown in the corresponding entries and affected budget authority and outlay data in the transmittal code 6 data.

(3) Credit programs. For programs that have existing limitations, any reductions will be shown in the transmittal code 6 data. Programs that have not been subject to

limitation under specific laws are now limited by the Act. For transmittal code 0 data, the limitation is assumed under the Act to be the direct loan obligation level or guaranteed loan commitment level that otherwise would have occurred. Therefore, amounts that would have been shown on line 1131 or 2131 of SSD-G for 1986 will be moved to line 1111 or 2111. Also, these amounts will be reported on lines 944X (7-8) and 954X (7-8) of SSD-A. Reductions will be shown in transmittal code 6 data.

(4) Payments from revolving funds and other offsetting collections (from non-Federal sources) credited to accounts. The Act has defined payments financed by offsetting as collections spending authority in a new section 401(c)(2)(E) of the Congressional Budget Act. Therefore, they are subject to reductions unless they finance programs specifically exempted. Payments derived from offsetting collections from other Federal accounts are exempt by the Act. The effect of a reduction in payments is to reduce a positive outlay amount or increase a negative outlay amount (line 90.00 of the program and financing schedule), reduce obligations (line 10.00), and increase the unobligated balance, end of year line 24.XX for accounts authorized to carry over unobligated balances or the unobligated balance lapsing (line 25.00) for accounts not authorized to carry over unobligated balances.

7. Timing.

a. Worksheets must be returned to OMB examiners by December 30, 1985.

b. Transmittal code 6 data must be entered into the automated budget preparation system not later than 3 days after receipt by the agency from OMB of the final worksheets. (All other data are due on the date previously specified by the agency's OMB examiner).

8. Contact. Questions should be directed to the agency's OMB examiner.


James H. Miller III
Director

Attachment

SECTION 401(c) (2) OF
THE CONGRESSIONAL BUDGET ACT OF 1974, AS AMENDED

"(c) DEFINITIONS.—

"(1) For purposes of this section, the term 'new spending authority' means spending authority not provided by law on the effective date of this Act, including any increase in or addition to spending authority provided by law on such date.

"(2) For purposes of paragraph (1), the term 'spending authority' means authority (whether temporary or permanent)—

"(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

"(B) to incur indebtedness (other than indebtedness incurred under chapter 31 of title 31 of the United States Code) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

"(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law;

"(D) to forego the collection by the United States of proprietary offsetting receipts, the budget authority for which is not provided in advance by appropriation Acts to offset such foregone receipts; and

"(E) to make payments by the United States (including loans, grants, and payments from revolving funds) other than those covered by subparagraph (A), (B), (C), or (D), the budget authority for which is not provided in advance by appropriation Acts.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.